



TOWNSHIP OF MASONVILLE
Delta County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Masonville		County Delta
Audit Date March 31, 2005	Opinion Date August 10, 2005	Date Accountant Report Submitted to State: September 7, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686			
City Bay City	State MI	Zip 48707	
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MASONVILLE
Delta County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

August 10, 2005

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Masonville, Delta County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Masonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Masonville, Delta County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MASONVILLE
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Masonville covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$661,644.17 for governmental activities and \$138,034.56 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$270,964.73 from governmental activities and \$0 from business-type activities. Governmental activities had a \$105,053.41 decrease in net assets. Business-type activities had an increase in net assets of \$136,673.56.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, CDBG Fund, Roads and Bridges Fund, Building Maintenance Fund, Sewer Fund, Current Tax Collection Fund, and the Agency Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, CDBG Fund, Roads and Bridges Fund, and the Building Maintenance Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$200,326.74.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$11,328.07 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$131,856.98 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Our wastewater projects construction began on May 8, 2005, and the expected completion date is summer of 2006.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at P.O. Box 166, Rapid River, Michigan 49878 or call 906-474-9505.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	375 857 81	-	375 857 81
Taxes receivable	4 820 36	-	4 820 36
Total Current Assets	380 678 17	-	380 678 17
NON-CURRENT ASSETS:			
Capital Assets	1 398 425 00	270 177 58	1 668 602 58
Less: Accumulated Depreciation	(1 117 459 00)	-	(1 117 459 00)
Total Non-current Assets	280 966 00	270 177 58	551 143 58
TOTAL ASSETS	661 644 17	270 177 58	931 821 75
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Note payable	-	132 143 02	132 143 02
Total Current Liabilities	-	132 143 02	132 143 02
NON-CURRENT LIABILITIES	-	-	-
Total Non-current Liabilities	-	-	-
Total Liabilities	-	132 143 02	132 143 02
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	280 966 00	138 034 56	419 000 56
Unrestricted	380 678 17	-	380 678 17
Total Net Assets	661 644 17	138 034 56	799 678 73
TOTAL LIABILITIES AND NET ASSETS	661 644 17	270 177 58	931 821 75

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
Governmental Activities:			Net (Expense) Revenue and Changes in Net Assets
Legislative	12 059 99	-	(12 059 99)
General government	127 014 22	53 134 93	(73 879 29)
Public safety	34 367 81	5 530 00	(28 837 81)
Public works	24 721 13	-	(24 721 13)
Recreation and culture	17 792 09	-	(17 792 09)
Other	15 705 50	-	(15 705 50)
Total Governmental Activities	<u>231 660 74</u>	<u>58 664 93</u>	<u>(172 995 81)</u>
Business-Type Activities:			
Interest expense	7 683 84	-	-
Total Business-Type Activities	<u>7 683 84</u>	<u>-</u>	<u>-</u>
Total Government	<u>239 344 58</u>	<u>58 664 93</u>	<u>(172 995 81)</u>
General Revenues:			
Property taxes			45 594 50
Other taxes			12 757 25
State revenue sharing			133 127 44
Interest			7 893 07
Miscellaneous			12 927 54
Transfers			<u>(144 357 40)</u>
Total General Revenues			<u>67 942 40</u>
Change in net assets			(105 053 41)
Net assets, beginning of year			<u>766 697 58</u>
Net Assets, End of Year			<u>661 644 17</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(12 059 99)
-	(73 879 29)
-	(28 837 81)
-	(24 721 13)
-	(17 792 09)
-	(15 705 50)
-	(172 995 81)
(7 683 84)	(7 683 84)
(7 683 84)	(7 683 84)
(7 683 84)	(180 679 65)
-	45 594 50
-	12 757 25
-	133 127 44
-	7 893 07
-	12 927 54
144 357 40	-
144 357 40	212 299 80
136 673 56	31 620 15
1 361 00	768 058 58
<u>138 034 56</u>	<u>799 678 73</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
Cash in bank	120 883 93	199 411 43	52 517 97	2 820 69
Taxes receivable	4 820 36	-	-	-
Due from other funds	223 79	-	-	-
Total Assets	<u>125 928 08</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>2 820 69</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	125 928 08	199 411 43	52 517 97	2 820 69
Total fund equity	<u>125 928 08</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>2 820 69</u>
Total Liabilities and Fund Equity	<u>125 928 08</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>2 820 69</u>

The accompanying notes are an integral part of these financial statements.

Total

375 634 02

4 820 36

223 79

380 678 17

-

-

380 678 17

380 678 17

380 678 17

TOWNSHIP OF MASONVILLE
Delta County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

380 678 17

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

1 398 425 00
(1 117 459 00)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

661 644 17

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
Revenues:				
Property taxes	45 594 50	-	-	-
Other taxes	12 757 25	-	-	-
Licenses and permits	970 00	-	-	-
State revenue sharing	133 127 44	-	-	-
Charges for services:				
PTAF	23 464 51	-	-	-
Cemetery	4 675 00	-	-	-
Fire	5 530 00	-	-	-
Interest	3 309 02	3 547 09	1 036 96	-
Rents	24 025 42	-	-	-
Miscellaneous	11 067 32	-	-	-
	<u>264 520 46</u>	<u>3 547 09</u>	<u>1 036 96</u>	<u>1 860 22</u>
Total revenues				<u>1 860 22</u>
Expenditures:				
Legislative:				
Township Board	12 059 99	-	-	-
General government:				
Supervisor	8 611 16	-	-	-
Elections	2 502 18	-	-	-
Assessor	19 011 11	-	-	-
Clerk	7 432 91	-	-	-
Board of Review	437 07	-	-	-
Treasurer	16 539 87	-	-	-
Building and grounds	48 221 91	-	-	-
Cemetery	5 591 01	-	-	-
Public safety:				
Liquor law enforcement	708 04	-	-	-
Fire protection	11 328 94	-	-	-
Medical services	7 392 83	-	-	-
Planning and zoning	2 271 00	-	-	-
Public works:				
Highways and streets	19 074 51	-	-	-
Sanitation	5 646 62	-	-	-
Recreation:				
Recreation	17 792 09	-	-	-
Other:				
Insurance	10 767 00	-	-	-
Retirement	4 938 50	-	-	-
	<u>200 326 74</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures				<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>64 193 72</u>	<u>3 547 09</u>	<u>1 036 96</u>	<u>1 860 22</u>

The accompanying notes are an integral part of these financial statements.

Total

45 594 50
12 757 25
970 00
133 127 44

23 464 51
4 675 00
5 530 00
7 893 07
24 025 42
12 927 54

270 964 73

12 059 99

8 611 16
2 502 18
19 011 11
7 432 91
437 07
16 539 87
48 221 91
5 591 01

708 04
11 328 94
7 392 83
2 271 00

19 074 51
5 646 62

17 792 09

10 767 00
4 938 50

200 326 74

70 637 99

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Other Funds</u>
Other financing sources (uses):				
Operating transfers out	<u>(144 357 40)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(144 357 40)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(80 163 68)	3 547 09	1 036 96	1 860 22
Fund balances, April 1	<u>206 091 76</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>960 47</u>
Fund Balances, March 31	<u><u>125 928 08</u></u>	<u><u>199 411 43</u></u>	<u><u>52 517 97</u></u>	<u><u>2 820 69</u></u>

The accompanying notes are an integral part of these financial statements.

Total

(144 357 40)

(144 357 40)

(73 719 41)

454 397 58

380 678 17

TOWNSHIP OF MASONVILLE
Delta County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (73 719 41)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(31 334 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(105 053 41)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2005

	Total (Sewer)
ASSETS:	
CURRENT ASSETS	
Total Current Assets	-
NON-CURRENT ASSETS:	
Capital Assets	270 177 58
Less: Accumulated Depreciation	-
Total Non-current Assets	270 177 58
TOTAL ASSETS	270 177 58
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Note payable	132 143 02
Total Liabilities	132 143 02
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	138 034 56
Unrestricted	-
Total Net Assets	138 034 56
TOTAL LIABILITIES AND NET ASSETS	270 177 58

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	Total (Sewer)
OPERATING REVENUES	
Total Operating Revenues	-
OPERATING EXPENSES	
Total Operating Expenses	-
Operating Income (loss) before depreciation	-
Less: depreciation	-
Operating income (loss)	-
NON-OPERATING REVENUES (EXPENSES):	
Transfers in	
Interest expense	144 357 40
Total Non-operating Expenses	(7 683 84)
Change in net assets	136 673 56
Net assets, beginning of year	136 673 56
Net Assets, End of Year	1 361 00
	<u>138 034 56</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	Total (Sewer)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	-
Cash payments to suppliers for goods and services	-
Cash payments to employees for services	-
Net cash provided (used) by operating activities	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers from other funds	
Net cash provided (used) by non-capital financing activities	144 357 40
	144 357 40
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	(11 328 07)
Principal paid on capital debt	(131 856 98)
Interest paid on capital debt	(7 683 84)
Net cash provided (used) by capital and related financing activities	(150 868 89)
Net increase (decrease) in cash	(6 511 49)
Cash beginning of year	6 511 49
Cash End of Year	-
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	-
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	-
(Increase) decrease in receivables	-
Net Cash Provided (Used) in Operating Activities	-

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Masonville, Delta County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Masonville. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 28. The 2004 tax roll millage rate was .8935 mills, and the taxable value was \$51,045,674.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements
Equipment

5-15 years
4-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$280,966.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>375 857 81</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	215 338 92
Uninsured and Uncollateralized	<u>169 799 68</u>
Total Deposits	<u>385 138 60</u>

The Township of Masonville did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	53 300 00	-	-	53 300 00
Buildings	895 600 00	-	-	895 600 00
Equipment	<u>449 525 00</u>	<u>-</u>	<u>-</u>	<u>449 525 00</u>
Total	1 398 425 00	-	-	1 398 425 00
Accumulated Depreciation	<u>(1 086 125 00)</u>	<u>(31 334 00)</u>	<u>-</u>	<u>(1 117 459 00)</u>
Net Governmental Capital Assets	<u>312 300 00</u>	<u>(31 334 00)</u>	<u>-</u>	<u>280 966 00</u>
<u>Business-Type Activities:</u>				
Sewer Systems	258 849 51	11 328 07	-	270 177 58
Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Business-Type Capital Assets	<u>258 849 51</u>	<u>11 328 07</u>	<u>-</u>	<u>270 177 58</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$4,938.50.

Note 7 – Sewer Fund Note Payable

The Township of Masonville obtained a \$264,000.00 loan from Northern Michigan Bank and Trust which is recorded in the Sewer Fund. The loan is a general obligation limited tax refunding note that requires quarterly payments with interest at the rate of 3.00% per annum. As of March 31, 2005, the principal balance outstanding was \$132,143.02.

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Sewer Fund – Note Payable	<u>264 000 00</u>	<u>-</u>	<u>131 856 98</u>	<u>132 143 02</u>

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

The Township of Masonville does not issue building permits.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>223 79</u>	Current Tax Collection	<u>223 79</u>
Total	<u>223 79</u>	Total	<u>223 79</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 12 – Interfund Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Sewer	<u>144 357 40</u>	General	<u>144 357 40</u>
Total	<u><u>144 357 40</u></u>	Total	<u><u>144 357 40</u></u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	42 000 00	42 000 00	45 594 50	3 594 50
Other taxes	16 450 00	16 450 00	12 757 25	(3 692 75)
Licenses and permits	875 00	875 00	970 00	95 00
State revenue sharing	121 500 00	121 500 00	133 127 44	11 627 44
Charges for services:				
PTAF	14 000 00	14 000 00	23 464 51	9 464 51
Cemetery	6 500 00	6 500 00	4 675 00	(1 825 00)
Fire	6 200 00	6 200 00	5 530 00	(670 00)
Interest	750 00	750 00	3 309 02	2 559 02
Rents	8 400 00	8 400 00	24 025 42	15 625 42
Miscellaneous	10 122 09	10 122 09	11 067 32	945 23
Total revenues	<u>226 797 09</u>	<u>226 797 09</u>	<u>264 520 46</u>	<u>37 723 37</u>
Expenditures:				
Legislative:				
Township Board	11 175 00	12 675 00	12 059 99	(615 01)
General government:				
Supervisor	9 000 00	9 000 00	8 611 16	(388 84)
Elections	3 150 00	3 150 00	2 502 18	(647 82)
Assessor	21 500 00	21 500 00	19 011 11	(2 488 89)
Clerk	9 150 00	9 150 00	7 432 91	(1 717 09)
Board of Review	810 00	810 00	437 07	(372 93)
Treasurer	16 750 00	16 750 00	16 539 87	(210 13)
Building and grounds	58 000 00	58 000 00	48 221 91	(9 778 09)
Cemetery	10 150 00	10 150 00	5 591 01	(4 558 99)
Public safety:				
Liquor law enforcement	1 500 00	1 500 00	708 04	(791 96)
Fire protection	27 930 00	27 930 00	11 328 94	(16 601 06)
Medical services	6 300 00	7 800 00	7 392 83	(407 17)
Planning and zoning	4 350 00	4 350 00	2 271 00	(2 079 00)
Public works:				
Highways and streets	44 148 34	44 148 34	19 074 51	(25 073 83)
Sanitation	6 500 00	6 500 00	5 646 62	(853 38)
Recreation:				
Recreation	18 750 00	18 750 00	17 792 09	(957 91)
Other:				
Insurance	14 000 00	14 000 00	10 767 00	(3 233 00)
Retirement	5 000 00	5 000 00	4 938 50	(61 50)
Total expenditures	<u>268 163 34</u>	<u>271 163 34</u>	<u>200 326 74</u>	<u>(70 836 60)</u>
Excess (deficiency) of revenues over expenditures	<u>(41 366 25)</u>	<u>(44 366 25)</u>	<u>64 193 72</u>	<u>108 559 97</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Other financing sources (uses):				
Operating transfers out	(150 000 00)	(150 000 00)	(144 357 40)	5 642 60
Total other financing sources (uses)	(150 000 00)	(150 000 00)	(144 357 40)	5 642 60
Excess (deficiency) of revenues and other sources over expenditures and other uses	(191 366 25)	(194 366 25)	(80 163 68)	114 202 57
Fund balance, April 1	201 488 34	201 488 34	206 091 76	4 603 42
Fund Balance, March 31	<u>10 122 09</u>	<u>7 122 09</u>	<u>125 928 08</u>	<u>118 805 99</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS AND BRIDGES FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>-</u>	<u>-</u>	<u>3 547 09</u>	<u>3 547 09</u>
Total revenues	<u>-</u>	<u>-</u>	<u>3 547 09</u>	<u>3 547 09</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3 547 09</u>	<u>3 547 09</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>195 864 34</u>	<u>195 864 34</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>199 411 43</u>	<u>199 411 43</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

BUDGETARY COMPARISON SCHEDULE - BUILDING MAINTENANCE FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	1 036 96	1 036 96
Total revenues	-	-	1 036 96	1 036 96
Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1 036 96	1 036 96
Fund balance, April 1	-	-	51 481 01	51 481 01
Fund Balance, March 31	-	-	52 517 97	52 517 97

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Wages	
Payroll taxes	1 275 00
Professional services	90 51
Miscellaneous	9 058 43
	<u>1 636 05</u>
Supervisor:	<u>12 059 99</u>
Salary	
Office supplies	7 200 00
Payroll taxes	164 20
Transportation	866 96
	<u>380 00</u>
Elections:	<u>8 611 16</u>
Wages	
Office supplies	1 080 00
	<u>1 422 18</u>
Assessor:	<u>2 502 18</u>
Salary	
Office supplies	15 399 96
Miscellaneous	740 00
	<u>2 871 15</u>
Clerk:	<u>19 011 11</u>
Salary	
Office supplies	6 964 56
Travel and workshops	273 41
Printing and publishing	25 00
	<u>169 94</u>
Board of Review:	<u>7 432 91</u>
Wages	
Miscellaneous	342 00
	<u>95 07</u>
Treasurer:	<u>437 07</u>
Salary	
Payroll taxes	10 329 74
Office supplies	149 85
	<u>6 060 28</u>
Building and grounds:	<u>16 539 87</u>
Wages	
Payroll taxes	3 240 00
Contracted services	248 00
Utilities	10 305 09
Repairs and maintenance	17 925 87
Miscellaneous	13 139 58
	<u>3 363 37</u>
Cemetery:	<u>48 221 91</u>
Wages	
Repairs and maintenance	4 750 00
	<u>841 01</u>
Liquor law enforcement:	<u>5 591 01</u>
Wages	
Miscellaneous	630 00
	<u>78 04</u>
	<u>708 04</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Fire protection:	
Wages	
Payroll taxes	2 285 00
Supplies	17 40
Utilities	1 136 51
Repairs and maintenance	1 784 00
Miscellaneous	5 695 87
	<u>410 16</u>
	<u>11 328 94</u>
Medical services:	
Operating supplies	
Wages	2 597 58
Repairs and maintenance	1 680 00
Miscellaneous	1 379 09
	<u>1 736 16</u>
	<u>7 392 83</u>
Planning and zoning:	
Wages	
Payroll taxes	1 875 00
Printing and publishing	65 21
Miscellaneous	270 79
	<u>60 00</u>
	<u>2 271 00</u>
Highways and streets:	
Street lighting	
Roads	6 872 83
Sidewalks	9 562 85
	<u>2 638 83</u>
	<u>19 074 51</u>
Sanitation	
	<u>5 646 62</u>
Recreation:	
Wages	
Payroll taxes	7 356 37
Contracted services	653 36
Utilities	1 581 25
Repairs and maintenance	680 47
Operating supplies	6 423 54
	<u>1 097 10</u>
	<u>17 792 09</u>
Insurance	
	<u>10 767 00</u>
Retirement	
	<u>4 938 50</u>
Total Expenditures	<u><u>200 326 74</u></u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
Cash in bank	<u>2 820 69</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>254 750 09</u>
Total Assets	<u>2 820 69</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>254 750 09</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>2 820 69</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>254 750 09</u>
Total Fund Balances	<u>2 820 69</u>	<u>199 411 43</u>	<u>52 517 97</u>	<u>254 750 09</u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>CDBG</u>	<u>Roads and Bridges</u>	<u>Building Maintenance</u>	<u>Total</u>
Revenues:				
Interest	-	3 547 09	1 036 96	4 584 05
Miscellaneous	<u>1 860 22</u>	-	-	<u>1 860 22</u>
Total revenues	<u>1 860 22</u>	<u>3 547 09</u>	<u>1 036 96</u>	<u>6 444 27</u>
Expenditures	-	-	-	-
Excess of revenues over expenditures	1 860 22	3 547 09	1 036 96	6 444 27
Fund balances, April 1	<u>960 47</u>	<u>195 864 34</u>	<u>51 481 01</u>	<u>248 305 82</u>
Fund Balances, March 31	<u><u>2 820 69</u></u>	<u><u>199 411 43</u></u>	<u><u>52 517 97</u></u>	<u><u>254 750 09</u></u>

TOWNSHIP OF MASONVILLE
Delta County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 741 778 35</u>	<u>1 741 554 56</u>	<u>223 79</u>
<u>Liabilities</u>				
Due to other funds	-	66 860 78	66 636 99	223 79
Due to others	<u>-</u>	<u>1 674 917 57</u>	<u>1 674 917 57</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 741 778 35</u>	<u>1 741 554 56</u>	<u>223 79</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>2 432 03</u>	<u>2 432 03</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	55 00	55 00	-
Due to others	<u>-</u>	<u>2 377 03</u>	<u>2 377 03</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>2 432 03</u>	<u>2 432 03</u>	<u>-</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>1 744 210 38</u>	<u>1 743 986 59</u>	<u>223 79</u>
<u>Liabilities</u>				
Due to other funds	-	66 915 78	66 691 99	223 79
Due to others	<u>-</u>	<u>1 677 294 60</u>	<u>1 677 294 60</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>1 744 210 38</u>	<u>1 743 986 59</u>	<u>223 79</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 10, 2005

To the Township Board
Township of Masonville
Delta County, Michigan

We have audited the financial statements of the Township of Masonville for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Masonville in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Masonville
Delta County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Masonville began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Masonville
Delta County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants